Nine-Month-Report

JANUARY 1 – SEPTEMBER 30, 2010

PFLEIDERER
AKTIENGESELLSCHAFT

Interim Report on the Nine Months Ended September 30, 2010

- Revenue up by 7.6 percent compared with prior-year period to 1,118.4 million euros
- Volume growth for surface-finished and raw panels, decrease for laminate flooring
- Further increases in raw-material costs prevent margin improvement
- EBITDA still below prior-year level at 81.7 million euros (9M 2009: 105.5 million euros)
- Net debt down by 48.9 million euros compared with prior quarter to 914.5 million euros
- Particularly strong revenue growth of 22.1 percent in Eastern Europe
- Strong autumn revival in Western Europe after slump in summer
- Expectations of upswing in North America not yet fulfilled
- Plans for further plant closures at Pfleiderer

Pfleiderer Group: Key figures for the first nine months of 2010

Amounts in millions of euros	Jan. 1 - Sept. 30, 2010	Jan. 1 - Sept. 30, 2009	July 1 - Sept. 30, 2010	July 1 - Sept. 30, 2009
Revenue	1,118.4	1,039.7	381.4	347.3
International share (in percent)	*71.5*	*72.1*	*70.9*	*73.2*
EBITDA	81.7	105.5	28.0	26.5
EBITDA margin (in percent)	*7.3*	*10.2*	*7.3*	*7.6*
EBIT	-7.5	19.4	-1.0	-3.2
EBT from continuing operations	-49.3	-17.8	-28.3	-14.1
Loss for the period	-47.3	-13.9	-28.5	-17.6
Net loss attributable to shareholders of Pfleiderer AG	-58.5	-24.6	-31.5	-21.8
Loss per share – basic (in euros)	-1.01	-0.49	-0.54	-0.43
Loss per share – diluted (in euros)	-1.01	-0.49	-0.54	-0.43
Loss per share from discontinued operations (in euros)	-0.02	-0.02	-0.01	0.01
Number of employees at end of period	5,445	5,636	5,445	5,636
Germany	2,421	2,470	2,421	2,470
Outside Germany	3,024	3,166	3,024	3,166
Average number of shares outstanding (basic)	57,791,056	50,682,642	57,791,056	50,682,642

Amounts in millions of euros	Sept. 30, 2010	Dec. 31, 2009	Change in percent
Total assets	2,008.9	1,971.2	*1.9*
Equity	648.7	631.7	*2.7*
Equity ratio (in percent)	32.3	32.0	--
Net debt	914.5	854.2	*7.1*

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Foreword by the Chairman of the Executive Board

Dear Shareholders, Ladies and Gentlemen,

The positive trends that were apparent in our industry in the first half of the year have not continued in all regions. Although our total revenue increased in the third quarter of 2010 by 9.8 percent compared with the third quarter of 2009, it was no higher than in the second quarter of this year and remained at 381.4 million euros. Volumes of particleboard and fiberboard sold in the third quarter were at the prior-year level throughout the Group, but we had significant volume reductions of laminate flooring in North American markets. As a result, our overall capacity utilization did not improve any further. The necessary price increases for our products could not be achieved in all regions. Whereas we were able to further increase our prices in Eastern and Western Europe, we had to accept price reductions in North America.

In this situation, we were confronted with further price increases for raw materials. The politically desired and subsidized burning of wood in biomass combined heat and power plants has meanwhile resulted in such shortages of wood as a raw material that this year, for the first time, Germany's forests are no longer sufficient to cover the consumption of wood in Germany. In addition to oil, now wood also has to be imported. And due to the European Union's ambitious goals and the resulting national action plans to increase energy production from renewable resources, this is just the beginning of a new trend. In Germany for example, at least 18 percent of gross energy consumption is to be covered by renewable resources by the year 2020, compared with 10.1 percent today. Wood is increasingly being valued in terms of its heating value. We at Pfleiderer also welcome the thermal use of wood, but we believe it should only take place after the exhaustive use of wood's material properties. This means that wood should first be processed into particleboard to be used in the production of furniture, interior fittings and houses, only after many years of use to be burnt to produce heat and energy. In this way, the processing of wood keeps carbon dioxide out of the atmosphere over many years rather than having a neutral short-term effect. Wood is too versatile as a raw material to be simply burnt. Another danger of subsidies for burning wood is that burdens are placed on sustainable and productive industries, thus destroying jobs.

In regional terms, the most significant economic revival in our markets has been in Eastern Europe and especially Russia. In Western Europe, demand for our customers' products is increasing only slowly because unlike the German economy, they are mainly dependent on domestic demand and not on booming exports to the emerging markets. Economic growth in North America in the first half of the year was not sustainable and turned negative again in the third quarter. Although the US real-estate market seems to have bottomed out, there is still no real recovery in sight.

Despite this modest development of demand and the significant increase in raw-material costs, we succeeded in raising third-quarter EBITDA from 26.5 million euros in 2009 to 28.0 million euros this year. In addition to price increases for our products, this was primarily due to further cost savings.

We have achieved the first important progress in reducing our debt. Due in particular to the consistent management of current assets, but also supported by exchange-rate effects, we reduced our net debt compared with the end of the previous quarter by 5.1 percent to 914.5 million euros. We plan to take measures also in the fourth quarter that will lead to further debt reductions. In addition, we anticipate significant proceeds from the sale of production facilities that are no longer strategically necessary.

As we do not currently expect a rapid and far-reaching recovery of our markets in North America and Western Europe, we will have to cope with ongoing underutilization of capacities in both regions. In this situation, we are not passively waiting for our competitors to take capacity out of the market, but are making concrete plans for the closure of the Ebersdorf and Nidda plants. This would be connected on the one hand with painful adjustment processes, but on the other hand would lay the foundations for the sustained recovery of margins in our business.

Neumarkt, November 10, 2010

Hans H. Overdiek

Chairman of the Executive Board

Interim Group Management Report

Economic Situation

Following a strong second quarter (plus 1.0 percent), GDP growth in the euro zone is likely to have weakened to approximately 0.4 percent in the third quarter of this year. In Germany, economic growth of 2.2 percent in the second quarter of 2010 compared with the previous quarter was stronger than at any time since reunification, and in the third quarter, GDP is likely to have expanded by approximately 0.5 percent. Whereas foreign trade (exports minus imports) probably delivered no significant impetus due to increasing imports, domestic demand continued its recovery.

In the United States, initial estimates indicate that GDP in the second quarter of 2010 grew at an annualized rate of 2.0 percent, following a revised 1.7 percent in the previous quarter. The economic stimulus programs and inventory cycles still had a positive effect in late 2009 and early 2010. This impetus has now largely weakened and has so far hardly been replaced by companies' investment and private consumption. This means that although the upward trend of the US economy continued, it has been significantly more moderate than was expected at the beginning of the year. Although new residential construction has recovered from its historical low after the expiry of support programs, it is still at a low level, so in combination with weak consumer confidence this means that only moderate growth can be expected for the coming quarters.

The economic upswing in Eastern Europe has continued. In Russia, GDP declined by 7.9 percent last year, but growth of 3.4 percent is now estimated for this year and 4.3 percent for 2011. The country's growth is driven by robust worldwide demand for raw materials. Poland was the only European country to avoid recession in 2009; according to the International Monetary Fund, it should continue its growth in full-year 2010 with a rate of 3.4 percent and in 2011 with 3.7 percent.

The business confidence index of the German wood industry has improved continuously in recent months. During this upswing, it reached its highest level in August 2010 and remained close to that level in September. However, the index of expectations for the next six months has been falling continuously since spring. The furniture industry's sub-index has been improving and expectations remain high. In particular, demand for upholstered furniture and other living-room furniture continued to recover, while demand for kitchen furniture declined. In North America, the stabilization of engineered-wood markets that was observed in the first half of the year has not continued. New construction work in the United States has not recovered significantly from its lows of spring 2010. There seems to be some growth only in renovations. Another positive aspect is that the number of unsold used properties has fallen slightly and the number of unsold new properties is low.

Revenue and Earnings – Comparison of Q3 2010 with Q3 2009

In the third quarter of 2010, the Pfleiderer Group generated **total revenue** of 381.4 million euros, surpassing the prior-year level by 9.8 percent. Exchange-rate effects were responsible for approximately 6 percentage points of this increase; the rest was primarily due to higher prices. While volumes of surface-finished panels and raw particleboard increased slightly, unit sales of raw MDF/HDF and laminate flooring decreased. The development of both volumes and prices differed quite substantially from region to region. The proportion of revenue generated outside Germany in the third quarter was 70.9 percent, compared with 73.2 percent in the prior-year quarter.

Despite the revenue growth compared with the third quarter of 2009, gross profit decreased from 80.3 million euros to 76.5 million euros. The significant increase in raw-material prices – in particular for wood and chemicals (glue and input materials) – also had a negative impact on the **gross margin**. It fell to 20.1 percent (Q3 2009: 23.1 percent) due to the 2.2 percentage-point increase in material expenses in relation to revenue. Compared with the first quarter of 2010 (58.1 percent), material expenses fell to 56.3 percent, however. The balance of other operating income and expenses of 4.1 million euros primarily comprises income from the retransfer of provisions for legal disputes (5.0 million euros) and from the retransfer of provisions for property renovation (1.0 million euros); expenses reflect impairments of 2.0 million euros relating to the plant closure in Fostoria, Ohio, USA.

Third-quarter **EBITDA** increased to 28.0 million euros, compared with 26.5 million euros in 2009. The EBITDA margin in the third quarter of 2010 was thus 7.3 percent, compared with 7.6 percent in Q3 2009. Positive exchange-rate effects, in particular from the Polish zloty and the Canadian dollar, contributed 1.5 million euros of total earnings.

EBIT of minus 1.0 million euros was better than in the prior-year quarter (minus 3.2 million euros). Depreciation and amortization amounted to 29.0 million euros (Q3 2009: 29.7 million euros).

The **net financial expense** of 27.4 million euros includes an amount of approximately 1.6 million euros of interest expense for the recognition of accrued transaction costs for the Group's refinancing. Furthermore, other financial expense of 7.2 million euros primarily reflects impairments on the valuation on the balance sheet date of loans denominated in foreign currencies (17.8 million euros) as well as gains on mark-to-market valuations of exchange-rate hedges (10.2 million euros) and interest-rate hedges (0.3 million euros).

Due to the factors listed above, the **result of continuing operations before taxes** amounted to a loss of 28.3 million euros, compared with a loss of 14.1 million euros for the prior-year quarter. In the third quarter of this year, we recognized a **deferred tax asset,** which contributed to a net tax benefit of 0.4 million euros. Due to payments of taxes for prior periods, discontinued operations contributed a loss of 0.6 million euros to the overall loss for the period of 28.5 million euros, of which 1.7 million euros is attributable to minority interests. The statement of income also includes the claims of hybrid bondholders of 4.7 million euros, although this amount was not paid out but was recognized in the balance sheet as a liability. A loss of 31.5 million euros is therefore attributable to the shareholders of Pfleiderer AG, compared with a loss of 21.8 million euros for the third quarter of 2009.

This results in a **basic loss per share from continuing operations** of 54 euro cents, compared with a loss of 43 euro cents for the prior-year quarter.

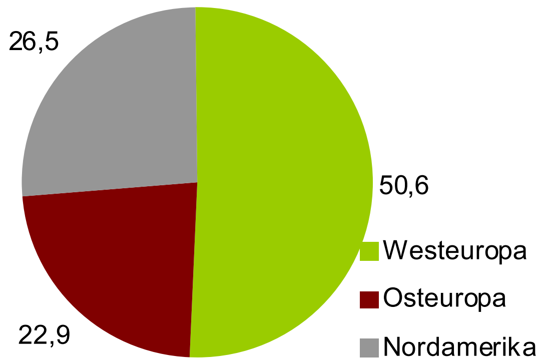
Segment Report on the Third Quarter

Segment overview

	Western Europe		Eastern Europe		North America		Group*	
Amounts in millions of euros	Q3 10	Q3 09	Q3 10	Q3 09	Q3 10	Q3 09	Q3 10	Q3 09
Revenue	198.2	189.5	89.6	74.9	103.7	103.5	381.4	347.3
EBIT	2.5	2.4	2.9	0.5	-6.8	0.0	-1.0	-3.2
EBIT margin	*1.3%*	*1.3%*	*3.3%*	*0.7%*	*-6.6%*	*0.0%*	*-0.3%*	*-0.9%*
Capital expenditure	5.4	3.1	-2.6	1.1	9.6	19.9	12.4	24.3
Number of employees	2,711	2,833	1,573	1,593	1,161	1,210	5,445	5,636

* See segment reporting for reconciliation of totals for the regions with the Group figures.

Segments' share of total revenue (%)
Q3 2010



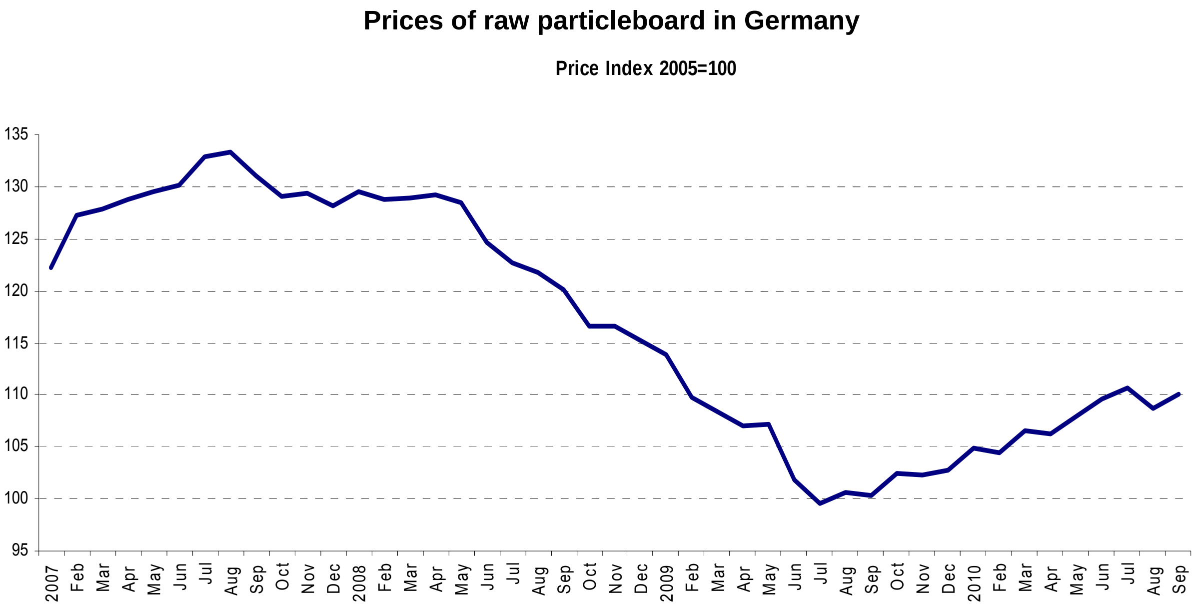
Due to disparate regional developments and the influence of exchange rates, the weighting of the regions continued to shift. Eastern Europe in particular grew significantly as a result of the improving economy and accounted for 22.9 per-cent of total revenue in the third quarter (Q3 2009: 20.4 percent). The North America region, however, accounted for only 26.5 percent of revenue, mainly due to the weak US economy (Q3 2009: 28.1 percent). Western Europe held its share of revenue nearly constant at just under 51 percent.

Western Europe

The Western Europe region posted revenue growth of 4.6 percent compared with the third quarter of last year, reaching 198.2 million euros. This growth is solely the result of rising prices (see graph on the following page). Although unit sales increased slightly for surface-finished particleboard and HPL, they were below the prior-year volumes for raw particleboard and raw MDF/HDF because prices for these products were still unsatisfactory and unit sales were therefore not pushed forcefully. We saw rising prices for all product groups, but most of all for raw particleboard and raw MDF/HDF. Wood wholesalers and retailers are faced with very good demand – driven by renovations, interior fitting and increasingly also new projects. Surface-finished products are benefiting in particular from this trend. Demand from construction-related customers has remained moderate, however. In the furniture indus-try, demand for living-room furniture has improved, in particular in the low-price segment. Sales of kitchen furniture also increased. Demand from manufacturers of office furniture has not yet recovered significantly.

With laminate flooring, we have seen little change in demand in Europe, but prices are still under pressure from the insufficient utilization of capacity. However, this was more than offset by exchange-rate effects for the Swedish krona against the euro, so prices measured in euros actually increased slightly.

EBIT for the Western Europe region of 2.5 million euros was slightly higher than in the prior-year quarter. The significant increases in raw-material costs compared with the second quarter of last year were offset by strict cost management and substantial savings.



Source: Federal Statistical Office

Eastern Europe

In Eastern Europe, we posted the biggest regional growth compared with the prior-year quarter of 19.6 percent to 89.6 million euros. Of that growth, 5.5 million euros was accounted for by exchange-rate effects. Unit sales of raw products increased significantly while volumes of surface-finished panels remained flat. The newly launched multifunction panels proved to be particularly successful as they are a cost-effective substitute for OSB in the construction sector. Within Eastern Europe, the Russian market has recovered the best from the effects of the financial crisis and has the strongest growth rates. In Poland, furniture exports profited from the economic recovery in Western Europe.

EBIT amounted to 2.9 million euros, compared with 0.5 million euros in the prior-year period. Volume growth and price gains offset higher raw-material prices, although the quarter was negatively impacted by routine maintenance work in the summer.

North America

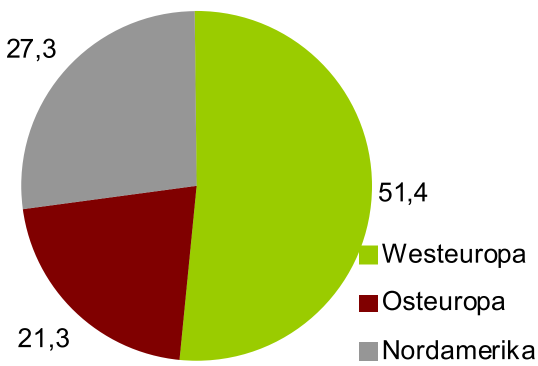
Third-quarter revenue in our North American sales markets was maintained at 103.7 million euros only due to exchange-rate effects of 13.5 million euros. Volume growth for panels was fully offset by volume decreases for laminate flooring and a level of prices lower than a year earlier for all products. Our volume growth for panels of nearly 5 percent in the third quarter was better than the market growth, which according to the Composite Panel Association remained fairly flat compared with the prior year for particleboard and fell by 8.9 percent for MDF. As a result, our market share in North America improved from 16.3 percent in Q3 2009 to 17.4 percent in Q3 2010. In this context, we profited from our strong presence in the Canadian market, which proved to be much more robust than the US market. We made significant gains in particular for raw particleboard, but our unit sales of surface-finished panels also grew. Compared with the second quarter of 2010, however, sales by volume fell at a higher rate than the usual seasonal decline. While demand for low-price furniture was good, the market for office furniture has not yet recovered. We benefited from strong demand from interior fitters as well as from wholesalers and retailers of engineered wood in Canada, whereas those segments remained very weak in the US market. Due to the strength of the Canadian dollar, demand began to fall from our customers in Canada, who mainly depend on exports to the United States.

With laminate flooring, we recorded decreases in both volumes and prices, whereby the lower average price was caused by a further shift in the product mix towards cheaper entry-level products. The dissatisfactory development of laminate flooring is explained by the ongoing difficult situation in the US real-estate market, which still shows no signs of a revival. Furthermore, the competitive situation has intensified due to imports from Europe. Overall, economic developments in general and the US real-estate market in particular lagged behind experts' expectations. This will additionally delay the recovery of our markets in the region and will put renewed pressure on prices.

Third-quarter EBIT amounted to minus 6.8 million euros, compared with 0.0 million euros for Q3 2009. In the third quarter of this year, the plant in Fostoria, Ohio of our US subsidiary Uniboard was closed. The plant's production volumes were gradually transferred to other Uniboard plants. The closure of the Fostoria plant will allow Uniboard to realize considerable cost advantages and to improve its efficiency. Meanwhile, production is being ramped up further at the MDF plant in Moncure.

Revenue and Earnings – Comparison of 9M 2010 with 9M 2009

Segments' share of total revenue (%)
9M 2010



The Pfleiderer Group's **total revenue** of 1,118.4 million euros in the first nine months of 2010 surpassed the figure for the prior-year period by 7.6 percent. Exchange-rate effects accounted for 57.6 million euros of the increase. With the exception of laminate flooring, unit sales increased for all product groups, the most strongly for surface-finished panels. The development of both volumes and prices was very different from one region to another. The proportion of revenue generated outside Germany was 71.5 percent, compared with 72.1 percent in the same period of 2009.

Due to the increase of 16.2 percent in material expenses, material expenses in relation to revenue increased to 56.6 percent, compared with 52.4 percent in the prior-year period. It was not possible to pass on the higher raw-material expenses to customers in full. This led to a reduction in gross profit from 262.0 million euros to 234.3 million euros, with the gross margin falling to 21.0 percent (Q3 2009: 25.2 percent). The balance of other operating income and expense of 10.4 million euros primarily comprises income from the retransfer of various provisions (6.6 million euros), insurance compensation (3.2 million euros), the reversal of impairments of receivables (2.4 million euros) and the sale of non-current assets (2.0 million euros) on the income side; and impairment charges and closure costs (4.1 million euros), bad debts and impairments of receivables (2.0 million euros) and the negative balance of currency gains and losses (1.4 million euros) on the expenses side.

EBITDA for the first nine months of 2010 fell to 81.7 million euros, from 105.5 million euros for the prior-year period. The EBITDA margin for the reporting period was thus 7.3 percent, compared with 10.2 percent a year earlier. Positive exchange-rate effects, in particular relating to the Canadian dollar and the Polish zloty, accounted for 5.5 million euros of EBITDA.

EBIT of minus 7.5 million euros was lower than the prior-year figure (plus 19.4 million euros). Depreciation and amortization amounted to 89.2 million euros (9M 2009: 86.2 million euros).

The **net financial expense** of 41.8 million euros (9M 2009: 37.1 million euros) includes an amount of 7.7 million euros of interest expense for the recognition of accrued transaction costs for the Group's refinancing. In addition, other financial income of 17.6 million euros primarily comprises income from the valuation on the balance sheet date of loans denominated in foreign currencies (12.0 million euros) as well as the mark-to-market valuation of exchange-rate hedging instruments (4.3 million euros).

The **result of continuing operations before taxes** amounted to a loss of 49.3 million euros, compared with a loss of 17.8 million euros for the first nine months of last year. In the reporting period, we recognized a **deferred tax asset**, which led to a tax benefit of 3.6 million euros. Due to payments of taxes for prior periods, discontinued operations contributed a loss of 1.6 million euros to the overall loss for the period of 47.3 million euros. Of that amount, 2.6 million euros is attributable to minority interests. The statement of income also includes the claims of hybrid bondholders of 13.8 million euros; this amount was not paid out but was recognized in the balance sheet as a liability. A loss of 58.5 million euros is therefore attributable to the shareholders of Pfleiderer AG, compared with a loss of 24.6 million euros for the first nine months of 2009.

This results in a basic **loss per share from continuing operations** of 99 euro cents, compared with a loss of 47 euro cents for the prior-year period.

Segment Report on the First Nine Months

Segment overview

	Western Europe		Eastern Europe		North America		Group*	
Amounts in millions of euros	9M 10	9M 09	9M 10	9M 09	9M 10	9M 09	9M 10	9M 09
Revenue	593.9	558.8	243.9	199.8	316.2	314.9	1,118.4	1,039.7
EBIT	11.6	14.1	2.9	2.5	-10.3	8.9	-7.5	19.4
EBIT margin	*2.0%*	*2.5%*	*1.2%*	*1.3%*	*-3.3%*	*2.8%*	*-0.7%*	*1.9%*
Capital expenditure	14.4	14.3	4.7	18.4	38.9	52.7	58.1	86.1
Number of employees	2,711	2,833	1,573	1,593	1,161	1,210	5,445	5,636

* See segment reporting for reconciliation of totals for the regions with the Group figures.

Western Europe

The Western Europe region posted revenue growth of 6.3 percent compared with the first nine months of last year, reaching 593.9 million euros. More than half of that growth was caused by rising prices and a smaller proportion was the result of higher unit sales. Volumes of surface-finished panels and HPL increased, while volumes of raw particleboard were still lower than in the prior-year period. Whereas prices average over the period for surface-finished panels and HPL remained lower than in the first nine momths of last year, prices of raw panels increased, in some cases significantly. On the customer side, demand is very good from wholesalers and retailers of engineered wood, interior fitters and renovators. But there has also been a revival of demand in the construction sector, partly due to the German government's economic stimulus package. In the furniture industry, demand for living-room furniture has strengthened again in the low-price segment, and there has also been growth for kitchen furniture. Demand from manufacturers of office furniture has still not recovered significantly. With laminate flooring, we saw slight volume decreases in Europe in the first nine months of 2010. Underutilization of capacities is still putting pressure on prices. However, this was more than offset by exchange-rate effects for the Swedish krona against the euro, so prices measured in euros increased slightly.

EBIT of the Western Europe region of 11.6 million euros was lower than in the prior-year period (14.1 million euros). The significant increases in raw-material costs compared with the first nine months of last year, especially for wood, were not fully offset by strict cost management and substantial savings. For the fourth quarter of 2010, significant increases in the cost of glue and other chemicals are now also anticipated. Further price increases for all our products have been announced for the fourth quarter and some of them have already been implemented.

Eastern Europe

In Eastern Europe, we posted the biggest regional growth compared with the prior-year period of 22.1 percent to 243.9 million euros. Of that growth, 20.7 million euros was accounted for by exchange-rate effects. Volumes increased across all product groups, the most significantly for raw products. The newly launched multifunction panels proved to be particularly successful as they are a cost-effective substitute for OSB in the construction sector. Within Eastern Europe, the Russian market has recovered the best from the effects of the financial crisis and has the strongest growth rates. In Poland, furniture exports profited from the economic recovery in Western Europe.

EBIT amounted to 2.9 million euros, compared with 2.5 million euros for the first nine months of last year. Increases in raw-material prices were offset by volume growth, cost savings and price increases.

North America
In our North American sales markets, we increased our revenue compared with the first half of last year by 0.5 percent to 316.2 million euros. Exchange-rate effects contributed 30.9 million euros to the growth, while declining prices for panels and laminate flooring had a negative impact on revenue. The growth dynamic of the first half of the year weakened in the third quarter of 2010, leading to lower prices. The drop in unit sales in the third quarter compared with the second was bigger than the usual seasonal decrease. According to the Composite Panel Association, the volume of particleboard sold in North America in increased by 5.3 percent in the first nine months compared with the prior-year period, whereby the Canadian market grew significantly faster than the US market. But unit sales of MDF remained flat in North America. In the nine-month period, Pfleiderer's Uniboard subsidiary achieved volume growth of 11.8 percent for surface-finished and raw particleboard. While demand for low-price furniture was good, the market for office furniture has not yet recovered. We benefited from strong demand from interior fitters as well as from wholesalers and retailers of engineered wood in Canada, whereas these segments remained very weak in the US market.

With laminate flooring, we recorded decreases in both volumes and prices, whereby the lower average price was caused by a further shift in the product mix towards cheaper entry-level products. Rising imports from Europe also put pressure on prices. The dissatisfactory development with laminate flooring is the result of significant inventory reductions in home-improvement stores, which are adjusting their stocks to the weaker-than-expected demand revival. Overall, economic developments in general and the US real-estate market in particular lagged behind expectations.

EBIT for the first nine months of 2010 amounted to a loss of 10.3 million euros, compared with a profit of 8.9 million euros for the prior-year period. In order to improve our cost position, we closed the surface-finishing plant in Fostoria, Ohio at the end of the quarter and distributed the production capacities among the other plants. We do not anticipate any positive demand impetus in the fourth quarter of 2010.

Financial Position – Comparison of September 30, 2010 with December 31, 2009

Compared with the end of 2009, the balance sheet total increased by 1.9 percent to 2,008.9 million euros. On the **assets side**, non-current assets accounted for most of this increase. Among current assets, receivables and other assets increased by 11.9 percent to 198.0 million euros because for seasonal reasons, business volumes in the last few weeks of a year are always very weak while revenue is strong in the third quarter. The increase in receivables is largely due to this seasonal effect. Inventories increased by 16.5 percent to 193.9 million euros due to the higher volume of business as well as the higher raw-material prices. Total assets fell to 12.1 million euros due to the reduction in cash and cash equivalents of 47.2 million euros. Non-current assets increased by 2.1 percent to 1,581.5 million euros, mainly due to the positive effects of currency translation following exchange-rate movements.

Following the completion of financing negotiations during the first quarter of 2010, the maturities structure of the **liabilities side** normalized. As the credit agreements are linked to financial covenants, one of which was breached as of June 30, 2009, those non-current financial liabilities were reclassified as current until a new long-term agreement was reached. Mainly as a result of the new credit agreements, current financial liabilities decreased by 603.4 million euros while non-current financial liabilities increased by 615.5 million euros. Equity increased by 17.0 million euros to 648.7 million euros. While the earnings development reduced equity by 47.3 million euros, the 10 percent capital increase and the sale of treasury shares raised equity by 52.4 million euros. As a consequence of the sale of hybrid bonds held by the company, equity increased by another 4.5 million euros. Currency translation accounted for 18.1 million euros of the increase. As a result, the equity ratio improved from 32.0 percent to 32.3 percent.

The Group's **net debt** increased compared with the end of 2009 by 60.3 million euros to 914.5 million euros. This reflects the loss for the period (47.3 million euros), the increase in receivables and other assets (21.0 million euros), the increase in inventories due to higher prices and volumes (27.5 million euros) and exchange-rate effects from the translation into euros of financial liabilities denominated in foreign currencies (18.6 million euros). There were positive effects from the capital increase and the sale of treasury shares (52.4 million euros). Compared with the prior quarter, however, debt reduction of 48.9 million euros was already achieved. This was primarily due to the more efficient management of current assets as well as exchange-rate effects (27.5 million euros). The ratio of net debt to equity (gearing) increased from 135.2 percent at the end of 2009 to 141.0 percent at the end of the third quarter of 2010.

Cash Flows

In the first three quarters of 2010, the net cash inflow from operating activities amounted to 56.3 million euros, compared with a net cash outflow of 26.3 million euros in the prior-year period. This cash inflow is mainly due to EBITDA for the period of 81.7 million euros. There were opposing effects primarily from the increases in inventories and receivables.

Capital Expenditure

Capital expenditure including advance payments in the first nine months of 2010 fell compared with the prior-year period by 32.5 percent to 58.1 million euros. Of that total, 14.4 million euros was invested in the Western Europe region. In North America, 38.9 million euros was invested, most of which was for the completion of the MDF plant in Moncure. A total of 4.7 million euros was invested in Eastern Europe.

Workforce

The number of 5,445 employees at the end of the reporting period was 3.4 percent lower than a year earlier. While the number of people employed in Eastern Europe of 1,573 was close to the prior-year level due to the revival of business, there was a reduction of 4.0 percent to 1,161employees in North America as a result of cost-cutting actions. In Western Europe and at headquarters, the number of persons employed decreased by 4.3 percent to 2,711 due to savings. Compared with the end of 2009, the size of the Group's workforce decreased slightly by 2.6 percent.

Events after the Interim Balance Sheet Date

On October 11, 2010, the company decided to close down the particleboard plant in Gschwend. This entails a one-time charge on earnings of 9 million euros, which will be recognized in the fourth quarter.

Risk Report

One of the fundamental management tasks is to establish and implement an effective internal control (IC) and risk-management (RM) system complying with the requirements of corporate governance and best practices.

Like other companies, Pfleiderer is exposed to a large number of risks connected with entrepreneurial activities. In order to counteract such uncertainties and to meet the requirements of constant changes in the applicable laws and regulations of various jurisdictions, the Pfleiderer Group has established IC, RM and internal auditing systems that are uniform throughout the Group. These instruments are continually further developed and regularly adapted to changing conditions.

As part of the existing process, the Executive Board and the Supervisory Board are informed, regularly and if required ad hoc, about risks that could significantly influence the business development of the business units or of the entire Group.

The tasks and organization of risk management at Pfleiderer and the risks to which the company is exposed were described in detail in the Management Report of Annual Report 2009. That document can be seen on the website of Pfleiderer AG at *(www.pfleiderer.com)* under the heading "Investor Relations/Reports and Presentations" and can be downloaded if required.

Within the context of an anti-trust investigation, offices of Pfleiderer AG, some subsidiaries and competing companies in the engineered-wood industry were searched on March 4, 2009. Already in Three-Month Report 2010 and Six-Month Report 2010 and in an ad-hoc disclosure of March 10, 2010, Pfleiderer AG announced in this context that it had received notifications of accusations and hearings from Germany's Federal Antitrust Authority; those letters have been replied to. Due to the pending proceedings, the company cannot make any further statements on this matter.

As already disclosed in Three-Month Report 2010 and Six-Month Report 2010, following successful negotiations, Pfleiderer agreed with its banks in January 2010 on new credit conditions for financing in an amount of approximately 800 million euros. These new conditions apply until the end of 2013. In addition, the Polish subsidiary reached an agreement with its banks on March 16, 2010 on further credit of approximately 180 million euros. Financial covenants that are usual in the market were also agreed upon and must be observed during the term of the credit.

Observance of the financial covenants is continuously monitored and – if possible – controlled with suitable instruments. However, as the consequences of the global crisis and the continuation of economic growth cannot be conclusively assessed, the fulfillment of our projected figures is subject to a degree of uncertainty. Significant deviation from projections for one or several key figures can lead to a breach of the agreed financial covenants.

As already disclosed in a press release on October 11, 2010, no significant recovery of the market for raw particleboard is to be expected in the short term. In view of overcapacities in Western Europe, an adjustment of the product offering is therefore necessary. Pfleiderer is currently actively occupied with plans that could lead to the closure of further production capacities at the Ebersdorf and Nidda plants in Germany. Margins are also under pressure from major increases in raw-material costs, which can often only be passed on to customers after a certain time lag. An additional factor is that the economic situation in North America has not developed in line with our expectations. At present, therefore, we are examining various restructuring options. In combination with economic developments, those options could lead to impairment charges and restructuring expenses. Against this backdrop, we do not exclude the possibility that if there is no sustained improvement in the market situation, we may be unable to fulfill the financial covenants agreed upon with the banks in the future, and may have to resume negotiations. This would lead to credit lines becoming more expensive or even falling due. In the worst case, this might jeopardize the company's continuing existence. We assume, however, that also in that case, we will be able to reach an agreement with the banks once again on the continuation of our financing.

On the basis of the information currently available, beyond the risks described above, the risk situation as described in Six-Month Report 2010 did not change significantly in the third quarter of 2010.

Opportunities and Outlook

In both Western Europe and North America, Pfleiderer anticipates ongoing market consolidation and assumes that there will be further reductions in production capacities. This should present us with opportunities to raise our prices and to pass on rising raw-material costs to our customers.

The consequences of the financial market crisis will affect economic growth in our sales markets in both 2010 and 2011. Banks and companies will continue to reduce their levels of debt in 2011 and some countries will reduce their new borrowing. This will dampen growth and keep it to less than its actual potential. For these reasons, we anticipate a regionally differentiated development of demand in 2011.

In Eastern Europe, demand should continue to grow and we should continue to have good utilization of capacity. One risk factor is the development of the zloty's exchange rate against the euro. Because our Polish customers export a large proportion of their production to Western Europe, a stronger zloty would be a disadvantage for them. In Western Europe, we expect to see only slight volume growth; however, this could be supported by price increases as a result of consolidation within the industry. In North America, some indicators from the real-estate market indicate a stabilization of new construction at a low level. But due to the high number of unsold houses, no significant growth is to be expected in the short term. High unemployment in the United States is dampening consumers' propensity to spend and is leading to intense price competition, in particular for laminate flooring. In the long term, increasing substitution of solid wood and plywood furniture with less expensive particleboard furniture is to be expected in North America. Our business in North America will be additionally boosted in 2011 by the ramping up of MDF production in Moncure.

Total revenue in 2010 will be higher than in 2009, whereas profitability will remain unsatisfactory. For 2010, we expect to post another loss despite additional cost reductions (up to 30 million euros solely in administrative areas), not least due to higher interest expenses. We therefore assume that it will again not be possible to pay a dividend for the year 2010. The year 2011 will also be difficult for Pfleiderer, as raw-material costs cannot be expected to fall significantly, overcapacity will continue to affect the market, and it will only be possible to increase prices very gradually. We anticipate only moderate growth in our markets, with the exception of Eastern Europe.

For the years 2010 and 2011, we do not plan any investment in capacity expansion – with the exception of the completion of our MDF plant in Russia – but only expenditure for the maintenance of existing plants and for rationalization. This investment should amount to significantly less than 100 million euros in each year.

The capital expenditure of the past three years will provide us with future growth opportunities, as we now have more efficient production plants than in the particularly successful year 2007 for example. In comparison with then, we now have the capacity of the MDF plant in Grajewo, Poland, the particleboard plant and the MDF plant in Moncure, USA, and additional surface-finishing capacity in Novgorod, Russia and Val d'Or, Canada. At a later date, we will also have the new MDF plant in Novgorod.

The Pfleiderer Group will focus in the coming years on debt reduction, cash management and regaining its former profitability.

Disclaimer

This report contains forward-looking statements that are based on current assessments by the Pfleiderer management and on specific assumptions concerning future developments. Such statements are subject to risks and uncertainties that are beyond Pfleiderer's ability to control and/or its sphere of influence, and that therefore cannot be precisely assessed by Pfleiderer. These risks and uncertainties may lead to actual developments differing substantially from our assessments. Among other things, such risks and uncertainties include the future market environment and economic conditions, the behavior of other market players, the successful integration of new acquisitions, and the realization of expected synergy effects.

Neumarkt, November 10, 2010

Hans H. Overdiek Heiko Graeve Pawel Wyrzykowski

Responsibility Statement

Statement pursuant to Section 37y of the German Securities Trading Act (WpHG) in conjunction with Section 37w Subsection 2 No. 3 of the WpHG

To the best of our knowledge, and in accordance with the applicable accounting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group's interim management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining months of the financial year.

Neumarkt, November 10, 2010

Hans H. Overdiek Heiko Graeve Pawel Wyrzykowski

Pfleiderer Shares

Since October 2009, our share price has no longer participated in the recovery trend of the European stock markets and is now listed again at a level similar to crisis year 2009. Our share price was only able to profit temporarily at the beginning of 2010 from the positive stock-exchange sentiment and the news that the financing negotiations had been completed. After that, the share price came under pressure because shareholders did not expect any rapid profitability improvements because of increased raw-material costs and ongoing excess capacity in our industry. In addition, some investors disliked the Group's ongoing high level of debt. Compared with the end of 2009, the share price had fallen by approximately 37.0 percent as of September 30, 2010, compared with a performance of plus 16.8 percent for the MDAX, plus 23.1 percent for the SDAX and plus 4.6 percent for the DAX.

Our share price was also depressed by the move from the MDAX to the SDAX; recent initial public offerings had resulted in some new candidates for inclusion in the MDAX. The relative underperformance caused our stock to fall – measured by the criterion of market capitalization – from 61st position in the MDAX/SDAX ranking at the end of 2009 to 78th at the end of the reporting period. By the criterion of liquidity, however, our position improved from 50th to 47th. Trading volume in our shares in the first nine months of 2010 was an average of 355,605 shares traded each day, compared with the annual average for 2009 of 182,760 shares per day.

Key figures

		9M 2010	2009
Share price			
lowest	euros	3.87	2.44
highest	euros	5.34	8.26
closing	euros	3.87	6.14
Number of shares at end of period		58,658,700	53,326,100
Market capitalization at end of period	million euros	227	327
Earnings per share (continuing operations)	euros	-0.99	-1.42
Average number of shares traded daily [1]		355,605	182,760

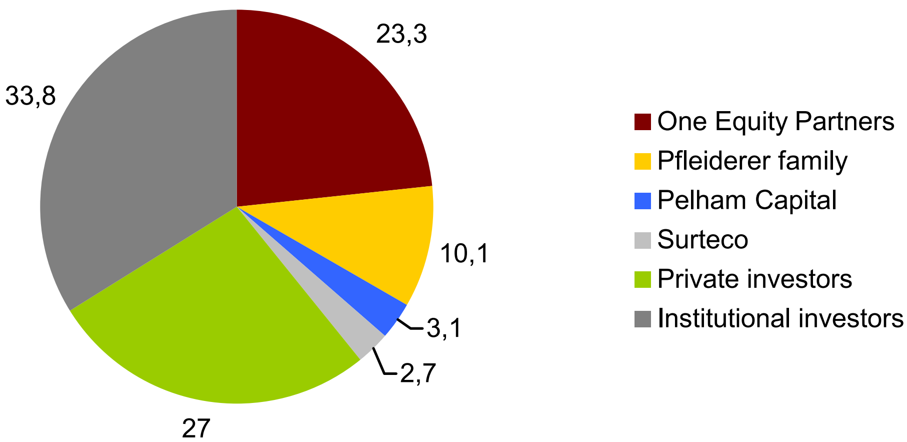
German securities identification number		676474
ISIN		DE0006764749
Reuters symbol		PFDGn.DE
Bloomberg symbol		PFD4 GY
Stock exchanges		Xetra, Frankfurt am Main, regional stock exchanges
Free float on September 30, 2010	percent	70.7
Stock-exchange segment		Prime Standard

1) Per day on Xetra

PFLEIDERER SHARES, SDAX AND MDAX INDEXED
January 1, 2009 - Oktober 15, 2010

Shareholder Structure

In percent



As of September 2010

Condensed Interim Consolidated Financial Statements

Consolidated Statement of Income (IFRS)

In thousands of euros, except per share amounts (in euros)	Jan. 1 - Sept. 30, 2010	Jan. 1 - Sept. 30, 2009	July 1 - Sept. 30, 2010	July 1 - Sept. 30, 2009
Revenue	1,118,366	1,039,689	381,394	347,263
Cost of sales	-884,027	-777,646	-304,872	-266,958
Gross profit	**234,339**	**262,043**	**76,522**	**80,305**
Selling expenses	-161,705	-149,439	-51,941	-49,012
Administrative expenses	-88,174	-89,994	-28,615	-30,427
Research and development expenses	-2,307	-2,089	-1,018	-1,101
Other operating income and expenses	10,350	-1,166	4,079	-2,980
Operating profit/loss	**-7,497**	**19,355**	**-973**	**-3,215**
Interest income	200	1,143	65	356
Interest expense	-59,603	-36,196	-20,259	-13,199
Other financial income/expense	17,564	-2,072	-7,181	1,999
Financial expense, net	**-41,839**	**-37,125**	**-27,375**	**-10,844**
Loss from continuing operations before taxes	**-49,336**	**-17,770**	**-28,348**	**-14,059**
Income taxes	3,557	4,391	437	-3,529
Loss from continuing operations	**-45,779**	**-13,379**	**-27,911**	**-17,588**
Loss from discontinued operations	-1,546	-133	-542	0
Income tax on discontinued operations	-23	-414	-23	0
Loss for the period	**-47,348**	**-13,927**	**-28,476**	**-17,588**
thereof attributable to minority interests	-2,618	-3,109	-1,668	-422
thereof attributable to hybrid bondholders	13,802	13,802	4,651	4,651
thereof attributable to shareholders of Pfleiderer AG	**-58,532**	**-24,621**	**-31,459**	**-21,817**
Loss per share – basic	-1.01	-0.49	-0.54	-0.43
Loss per share – diluted	-1.01	-0.49	-0.54	-0.43
Loss per share from continuing operations after minority interests	-0.99	-0.48	-0.54	-0.42
Profit/loss per share from discontinued operations	-0.02	-0.01	0.00	0.01
Average number of shares issued (basic)	57,791,056	50,682,642	57,791,056	50,682,642

Consolidated Statement of Comprehensive Income

In thousands of euros	Jan. 1 - Sept. 30, 2010	Jan. 1 - Sept. 30, 2009	July 1 - Sept. 30, 2010	July 1 - Sept. 30, 2009
Loss for the period	**-47,348**	**-13,927**	**-28,476**	**-17,588**
Currency translation differences	18,051	-1,183	-10,594	8,991
Derivative financial instruments	1,261	1,325	256	1,596
Total of income and expense recognized directly in equity (after taxes)	**19,312**	**142**	**-10,338**	**10,587**
Total of income and expense recognized in equity	**-28,036**	**-13,785**	**-38,814**	**-7,001**
Thereof attributable to:				
Minority interests	-363	-6,303	-3,550	1,307
Hybrid bondholders	13,802	13,802	4,651	4,651
Shareholders of Pfleiderer AG	-41,475	-21,284	-39,915	-12,959
Total of income and expense recognized in equity	**-28,036**	**-13,785**	**-38,814**	**-7,001**

Consolidated Balance Sheet

Assets

In thousands of euros	Sept. 30, 2010	Dec. 31, 2009
Cash and cash equivalents	12,141	59,292
Receivables and other assets	198,007	177,011
Inventories, net	193,916	166,386
Income tax receivables	2,035	2,460
Other assets	12,532	5,806
Assets from discontinued operations	8,742	11,602
Current assets	**427,373**	**422,557**
Property, plant and equipment, net	883,517	866,084
Intangible assets, net	552,406	535,173
Financial assets	5,084	4,888
Deferred tax assets	121,877	128,862
Other assets	18,603	13,652
Non-current assets	**1,581,487**	**1,548,659**
Total assets	**2,008,860**	**1,971,216**

Equity and liabilities

In thousands of euros	Sept. 30, 2010	Dec. 31, 2009
Payables and other debt	269,276	234,834
Financial liabilities	196,808	800,202
Provisions	26,254	46,880
Tax liabilities	6,367	8,604
Other debt	720	468
Liabilities from discontinued operations	10,331	14,331
Current liabilities	**509,756**	**1,105,319**
Financial liabilities	729,839	113,294
Retirement benefit obligation	17,388	15,800
Deferred tax liabilities	77,598	81,761
Other debt	7,093	5,684
Provisions	18,444	17,659
Non-current liabilities	**850,362**	**234,198**
Share capital	150,166	136,515
Reserves including retained earnings and profit for the period	234,992	302,078
Treasury shares	0	-43,073
Other comprehensive income	-35,512	-52,569
Equity of shareholders of Pfleiderer AG	**349,646**	**342,951**
Hybrid capital	270,915	260,204
Minority interests	28,181	28,544
Total equity	**648,742**	**631,699**
Total equity and liabilities	**2,008,860**	**1,971,216**

Consolidated Statement of Cash Flows (IFRS)

In thousands of euros	Jan. 1 - Sept. 30, 2010	Jan. 1 - Sept. 30, 2009
Earnings before interest and taxes (EBIT)	-7,497	19,355
Net income taxes paid	-5,161	-4,639
Depreciation and amortization	89,199	86,194
Gain/loss on the disposal of fixed assets	-1,613	-101
Change in retirement benefit obligation	474	-833
Cash inflow	**75,402**	**99,976**
Change in current assets	-67,564	-18,779
Change in other non-current assets	4,213	-3,868
Change in current liabilities excluding financial debt	43,781	-112,978
Change in non-current liabilities excluding financial debt	1,721	8,320
Other non-cash expense and income	-1,286	1,042
Cash flow from operating activities	**56,267**	**-26,287**
Payments for intangible assets	-964	-1,476
Payments for property, plant and equipment	-75,057	-87,719
Payments for the acquisition and proceeds from the sale of companies and interests in consolidated companies	0	-370
Proceeds from the sale of intangible assets	403	666
Proceeds from the sale of property, plant and equipment	2,222	1,484
Proceeds from financial assets	0	33
Cash flow from investing activities	**-73,396**	**-87,382**
Cash flow from operating activities and investing activities	**-17,129**	**-113,669**
Change in financial liabilities	-20,147	207,109
Change in externally factored receivables	-19,315	-31,539
Capital increase	34,229	0
Proceeds from the sale of hybrid bonds	4,542	0
Sale of treasury shares	18,165	0
Interest paid	-47,933	-28,446
Interest received including accrued interest on hybrid bonds	2,626	1,143
Other financing activities	-39	0
Cash flow from financing activities	**-27,872**	**148,267**
Net change in cash and cash equivalents	-45,001	34,598
Effects of exchange-rate changes on cash held in foreign currencies	3,420	1,099
Change in cash and cash equivalents from discontinued operations	-5,570	-549
Change in cash and cash equivalents from first-time consolidation and deconsolidation	0	-4
Cash and cash equivalents at January 1	59,292	46,288
Cash and cash equivalents at September 30	12,141	81,432

Consolidated Statement of Changes in Equity (IFRS)

In thousands of euros	Issued share capital	Reserves including retained earnings and profit/loss for the period	Treasury shares	Other comprehensive income: Foreign currency translation	Other comprehensive income: Valuation of financial derivatives	**Subtotal**	Hybrid capital	Minority interests	Total
Balance at January 1, 2010	**136,515**	**302,078**	**-43,073**	**-50,533**	**-2,036**	**342,951**	**260,204**	**28,544**	**631,699**
Increase in issued capital	13,651	20,700				**34,351**			34,351
Treasury shares		-24,908	43,073			**18,165**			18,165
Change in adjustment item from									
currency translation				15,698		**15,698**		2,353	18,051
Valuation of financial derivatives					1,359	**1,359**		-98	1,261
Profit/loss for the period		-58,532				**-58,532**	13,802	-2,618	-47,348
Sale of hybrid capital		-6,169				**-6,169**	10,711		4,542
Deferred payment to hybrid									
bondholders						**0**	-13,802		-13,802
Effect of stock option plans		1,823				**1,823**			1,823
Balance at September 30, 2010	**150,166**	**234,992**	**0**	**-34,835**	**-677**	**349,646**	**270,915**	**28,181**	**648,742**

In thousands of euros	Issued share capital	Reserves including retained earnings and profit/loss for the period	Treasury shares	Other comprehensive income: Foreign currency translation	Other comprehensive income: Valuation of financial derivatives	**Subtotal**	Hybrid capital	Minority interests	Total
Balance at January 1, 2009	**136,515**	**369,070**	**-43,073**	**-41,730**	**-3,793**	**416,989**	**260,204**	**33,745**	**710,938**
Increase in issued capital						**0**			0
Treasury shares						**0**			0
Change in adjustment item from									
currency translation				2,032		**2,032**		-3,215	-1,183
Valuation of financial derivatives					1,304	**1,304**		21	1,325
Profit/loss for the period		-24,620				**-24,620**	13,802	-3,109	-13,927
Sale of hybrid capital						**0**			0
Deferred payment to hybrid									
bondholders						**0**	-13,802		-13,802
Effect of stock option plans		1,695				**1,695**			1,695
Balance at September 30, 2009	**136,515**	**346,145**	**-43,073**	**-39,698**	**-2,489**	**397,400**	**260,204**	**27,442**	**685,046**

Condensed Group Segment Report (IFRS)

Jan. 1 - Sept. 30, 2010 In thousands of euros	External revenue	Internal revenue	Segment earnings EBIT	Segment-assets at Sept. 30, 2010
Region Western Europe	569,900	24,043	11,630	664,762
Region Eastern Europe	231,661	12,202	2,899	541,876
Region North America	316,168	0	-10,323	625,637
Subtotal	**1,117,729**	**36,245**	**4,206**	**1,832,266**
Headquarters	0	51,164	-12,082	49,524
Other	637	275	-309	7,373
Discontinued operations	0	0	-1,546	2,860
Consolidation	0	-87,684	688	116,837
Pfleiderer Group	**1,118,366**	**0**	**-9,043**	**2,008,860**

Jan. 1 -Sept. 30, 2009 In thousands of euros	External revenue	Internal revenue	Segment earnings EBIT	Segment assets at Dec. 31, 2009
Region Western Europe	538,155	20,606	14,082	647,884
Region Eastern Europe	185,971	13,818	2,500	520,253
Region North America	314,947	0	8,852	554,523
Subtotal	**1,039,073**	**34,424**	**25,434**	**1,722,660**
Headquarters	0	53,283	-6,022	50,514
Other	616	275	-798	9,104
Discontinued operations	0	0	-133	11,602
Consolidation	0	-87,982	741	177,336
Pfleiderer Group	**1,039,689**	**0**	**19,222**	**1,971,216**

Condensed Group Segment Report (IFRS)

July 1 - Sept. 30, 2010 In thousands of euros	External revenue	Internal revenue	Segment earnings EBIT	Segment assets at Sept. 30, 2010
Region Western Europe	192,300	5,915	2,487	664,762
Region Eastern Europe	85,249	4,381	2,930	541,867
Region North America	103,658	0	-6,841	625,637
Subtotal	**381,207**	**10,296**	**-1,424**	**1,832,266**
Headquarters	0	13,921	118	49,524
Other	187	92	90	7,373
Discontinued operations	0	0	-542	2,860
Consolidation	0	-24,309	243	116,837
Pfleiderer Group	**381,394**	**0**	**-1,515**	**2,008,860**

July 1 - Sept. 30, 2009 In thousands of euros	External revenue	Internal revenue	Segment earnings EBIT	Segment assets at Dec. 31, 2009
Region Western Europe	172,802	16,654	2,401	647,884
Region Eastern Europe	70,428	4,503	537	520,253
Region North America	103,487	0	15	554,523
Subtotal	**346,717**	**21,157**	**2,953**	**1,722,660**
Headquarters	0	16,634	-6,465	50,514
Other	546	92	-2	9,104
Discontinued operations	0	0	0	11,602
Consolidation	0	-37,883	299	177,336
Pfleiderer Group	**347,263**	**0**	**-3,215**	**1,971,216**

Internal reporting takes place on the basis of IAS/IFRS financial statements. Therefore, no explanation of the reconciliation to the consolidated financial statements is necessary. The composition of the segments has not changed compared with the previous periods. Corporate-financing activities and holding-company functions are reported under “Headquarters.” “Other” includes those companies that do not fulfill the defining criteria of a reportable segment.

Notes to the Condensed Interim Consolidated Financial Statements for the Nine Months Ended September 30, 2010

1. Basis of Presentation

The condensed interim consolidated financial statements and the interim group management report have been prepared in accordance with IAS 34 Interim Reporting and German Accounting Standard No. 16 (DRS 16). Please refer to our Annual Report 2009 for further information. The consolidated financial statements and the group management report for the year ended December 31, 2009, as published in our Annual Report 2009, form the basis for these interim consolidated financial statements.

These interim consolidated financial statements have been prepared in accordance with Section 315a of the German Commercial Code (HGB) “Consolidated Financial Statements According to International Accounting Standards“ and in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the International Accounting Standards Board (IASB), as adopted by the European Union under Regulation No. 1606/2002 of the European Parliament and the European Council concerning the application of international accounting standards in the EU. The requirements of the applied standards have been entirely fulfilled and allow the presentation of the actual situation with regard to the assets, liabilities, financial position and profit or loss of Pfleiderer AG.

The consolidation methods have not changed compared with December 31, 2009.

The condensed interim consolidated financial statements do not contain all of the notes and disclosures that are required for annual consolidated financial statements, and should therefore be read in conjunction with the consolidated financial statements for the year ended December 31, 2009 (www.pfleiderer.com). Where no notes or disclosures have been made in these condensed interim consolidated financial statements, no material changes have occurred compared with the notes and disclosures contained in the consolidated financial statements for the year ended December 31, 2009.

Material occurrences and transactions are explained in the interim group management report.

2. Accounting Principles

Recognition and measurement, as well as the notes and disclosures, are based on the same accounting policies and calculation methods that were applied in the preparation of the consolidated financial statements for the year 2009. Various new or amended standards and interpretations of the IASB or of the IFRIC have been recognized by the European Union. The effects of these standards and interpretations are of only minor importance for the financial statements of the Pfleiderer Group.

3. Dividends

Pfleiderer AG has not paid a dividend for the year 2009, neither was a dividend paid for the year 2008.

4. Shares Held by Executive Board and Supervisory Board Members and Stock Option Plans

At September 30, 2010, the members of the Executive Board of Pfleiderer AG held 552,794 shares (prior year: 552,794) and 876,996 share options (prior year: 1,079,576). The members of the Supervisory Board held 10,563 shares (prior year: 75,333) and 6,580 share options (prior year: 12,984).

Within the framework of the stock option plan of Pfleiderer AG, the members of the Executive Board were not granted any options to subscribe for shares in return for an equity investment in the first nine months of 2010.

No share options were "in the money" at September 30, 2010; therefore, no share options contributed towards an arithmetical dilution of earnings per share.

5. Treasury Shares

All of the 2,643,458 treasury shares were sold through the stock exchange on January 19, 2010, resulting in sale proceeds of 18.5 million euros.

6. Changes in the Supervisory Board

Effective at the end of the Annual Shareholders' Meeting held on June 23, 2010, Mr. Ernst-Herbert Pfleiderer stepped down from his position as Chairman of the Supervisory Board of Pfleiderer AG. The shareholders attending that meeting elected Mr. Hans Theodor Pfleiderer as a new member of the Supervisory Board. Mr. Christopher von Hugo was elected as the new Chairman of the Company's Supervisory Board.

Neumarkt, November 10, 2010

Hans H. Overdiek Heiko Graeve Pawel Wyrzykowski